Daniella Finn

Good day everyone, and welcome to our second quarter 2025 Earnings Call. On the call with me today are **Butzi Machlis, President and CEO and Kobi Kagan CFO.**

Before we begin, I would like to point out that the Safe Harbor Statement in the Company's press release issued earlier today also refers to the contents of this conference call.

As usual, we will provide you with both GAAP financial data as well as certain supplemental non-GAAP information. We believe that this non-GAAP information provides additional detail to help understand the performance of the ongoing business. You can find all the detailed GAAP financial data, as well as the non-GAAP information and the reconciliation, in today's press release.

Kobi will begin by providing a discussion of the financial results, followed by Butzi who will talk about some of the significant developments during the quarter and beyond. We will then turn the call over to a question-and-answer session.

With that, I would like now to turn the call over to Kobi.

Kobi – please.

Kobi Kagan - CFO

Thank you, Daniella.

Hello everyone and thank you for joining us today.

We are very pleased to announce another set of quarterly results, with strong double-digit year-over-year growth across all parameters. We recorded growth across all business segments and geographies, especially in Europe, as well as margin expansion. Backlog increased 12% from the corresponding quarter in 2024, and free cash flow generated this quarter, totaled, 71 million dollars.

I will now highlight and discuss some of the key figures and trends in our financial results this

quarter.

Second quarter 2025 revenues were 1 billion 973 million dollars, compared to 1 billion 626 million dollars, in the second quarter of 2024.

In the second quarter of 2025, Europe contributed 29%, North America 21%, Asia-Pacific 13% and Israel was 34% of revenues.

Demand continued to be robust in all key geographies as evident in the higher sales in all geographies this quarter.

GAAP gross margin in the second quarter was 24% of revenues, compared to 24% in the second quarter of 2024.

The non-GAAP gross margin for the second quarter was 24.4% of revenues, compared to 24.4% in the second quarter of 2024.

GAAP operating income for the Second quarter was 157.8 million dollars or 8.0% of revenues, versus 116.5 million dollars or 7.2% of revenues, in the second quarter of 2024.

Non-GAAP operating income was 175.1 million dollars or 8.9% of revenues, compared with 130.5 million dollars or 8.0% of revenues, in the second quarter of last year. We are very pleased with this margin expansion which is a result of the company's joint effort to improve profitability.

The operating expense breakdown in the second quarter was as follows:

- Net R&D expenses were 129.7 million dollars or 6.6% of revenues, compared to 116.8 million dollars or 7.2% of revenues, in the second quarter of 2024. Elbit continues to invest in R&D to develop cutting edge technological products and solutions, which will maintain Elbit's position as a market leader.
- Marketing and selling expenses were 91.5 million dollars or 4.6% of revenues, versus 87.7 million dollars or 5.4%, in the second quarter of 2024.
- G&A expenses were 93.9 million dollars or 4.8% of revenues, compared to 68.7 million dollars or 4.2% of revenues, in the second quarter of 2024. The increase in general and

administrative expenses for the second quarter of 2025, was mainly due to one-time expenses incurred during the current quarter. G&A expenses during the second quarter of 2024 were lower-than-average.

Financial expenses were 31.2 million dollars, in the second quarter, compared to 29.1 million dollars in the second quarter of 2024.

Financial expenses during the quarter were impacted by the relatively sharp fluctuations in exchange rates, by the strong free cash flow from the beginning of the year, and from the offering proceeds that, in the short term, decrease the company's loan portfolio.

We recorded a tax expense of 7.1 million dollars, in the second quarter, compared to 11.3 million dollars, in the second quarter of 2024.

The effective tax rate in the second quarter of 2025 was 5.6%, compared to 13.2% in the second quarter of 2024. The decrease in effective tax rate for the second quarter of 2025, was mainly due to the increase in deferred tax assets and the settlement of tax assessments.

GAAP diluted EPS was 2 dollars and 69 cents, for the second quarter of 2025, compared to 1 dollar and 76 cents, in the second quarter of 2024.

Our non-GAAP diluted EPS was 3 dollars and 23 cents, for the second quarter of 2025, compared to 2 dollars and 8 cents, in the second quarter of 2024.

Quarterly segment revenue for the second quarter of 2025:

Aerospace revenues increased by 12% year-over-year, mainly due to increase in Precision Guided Munition (PGM) sales in Israel and Asia Pacific, and UAS sales in Europe. C4I and Cyber revenues increased by 21% year-over-year, mainly due to radio systems and command and control systems sales, in Israel and in Europe.

ISTAR and EW revenues increased by 15% in the second quarter of 2025, mainly due to Electro-Optic systems sales in Israel and Electronic Warfare systems sales in Europe. Land revenues increased by 45% in the second quarter of 2025, due to ammunition and munition sales in

Israel and in Europe. Elbit Systems of America revenues, increased by 4%, due to the increase in Maritime and Warfighters systems sales.

Our order backlog as of June 30, 2025, was 23.8 billion dollars, 2.6 billion dollars higher than the backlog at the end of the second quarter of 2024 and 626 million dollars higher than the backlog in the first quarter of 2025. The increase in backlog during the quarter came mainly from new international orders. Approximately 68% of the current backlog is derived from orders outside of Israel. Approximately 46% of the current backlog is scheduled to be performed during the remainder of 2025 and during 2026, and the rest is scheduled for 2027 and beyond.

Cash flow provided by operating activities in the six months ended June 30, 2025 was 304.0 million dollars, as compared to 26.0 million dollars, in the six months ended June 30, 2024. The cash flow in the six months ended June 30, 2025 was affected mainly by the strong increase in net income.

On the back of the continued strong financial performance of the company, the Board of Directors has decided to increase the dividend and declared a dividend of 75 cents per share, 50% higher than the dividend distributed last year and the second dividend raise this year.

I will now turn the call over to Mr. Machlis, Elbit's CEO.

Buzi, please go ahead.

Buzi Machlis

Thank you, Kobi.

Hello everyone and thanks once again for joining us today. As Kobi just described these are indeed exceptional results with double digit growth in all parameters of revenue and profitability, growth across all our segments and all geographies. I am very pleased with these results.

During the quarter we carried out a successful share offering raising 573 million dollars net with demand for the shares offered reaching three times the initial amount. These proceeds will help support and grow Elbit's future business, enabling us to increase our production

capacity and deliver on the growing demand for our products. Additionally, these proceeds will potentially enable us to further expand via M&A activity acquiring either new technologies or expanding our global reach.

During the quarter the conflict between Israel and Iran had escalated and resulted in a 12 - day campaign against Iran. Since the October 7th war, the Middle East has gone through significant changes, in many aspects thanks to the technological superiority of the IDF. Elbit played a key role in supplying the IDF with our advanced technologies and solutions. These included the Hermes 900 drones, armed with various payloads, flying over the skies of Teheran, as shown on social media. ISR systems, provided crucial and continuous information which were a key factor in defending our forces. EW self - protection suites played a vital role in protecting the IDF aircrafts. Our trainers made sure pilots and other fighters were professionally trained for one of the most complicated missions ever carried out. I am extremely proud of all Elbit employees who took part in this important mission, and of all who contributed to the development of solutions that supported the IDF during this conflict and since October 7th, for all this I am truly grateful.

During the quarter and up until the announcement today, Elbit won additional significant new contracts. This morning, we announced we were awarded a contract worth $1.625 billion to deliver a range of defense solutions to a European country over the next 5-years. Under the contract, Elbit will deliver a variety of its products and solutions including a comprehensive military digitization and Network Combat Solution, as well as the Torch-X C4ISR suite of command-and-control applications, Advanced rocket capabilities and PULS™ launchers, a range of unmanned aerial systems such as the Hermes 900 UAV, Skylark 3, loitering munitions, and the LANIUS soldier-level tactical drones among other. The contract also includes a range of ISTAR capabilities, including electronic warfare and SIGINT systems. This contract, among others in Europe, marks another important milestone in Elbit's expanding footprint in Europe and its growing operations across the continent.

A couple of weeks ago Elbit was awarded a contract worth approximately $260 million by Airbus to supply its J-MUSIC Directed Infrared Counter Measures (DIRCM) self-protection systems, for installation on the German Air Force A400M transport aircraft.

We continued to gain traction with the PULS rocket launcher in Europe winning yet another contract to a European country for US$130 million.

In May we received a delivery order valued at $112 million for SBNVG (Squad Binocular Night Vision Goggle) from the Marine Corps as part of the multi-year Indefinite Delivery/Indefinite Quantity (ID/IQ) contract, previously secured. These systems will support the US Marine Corps missions in operations with low-light and no-light conditions world-wide.

Elbit was also awarded a contract worth approximately $100 million to supply the advanced UT30 MK2 unmanned turret systems to General Dynamics European Land Systems. The systems will be installed on the ASCOD armored fighting vehicles and supplied to a NATO European country. These Systems will enhance the firepower and survivability of ASCOD vehicles.

During the quarter we were awarded several contracts valued at approximately $330 million by international customers including NATO member countries, to supply a broad range of advanced naval technologies and solutions, including electronic warfare and anti-submarine warfare systems, modernization and upgrade programs, combat management systems, and more.

And last but not least, two days ago we announced two contract wins for the aggregate amount of 260 million dollars for the supply of airborne munitions to the Israeli Ministry of Defense.

Despite some delays due to the ongoing conflicts in our region, we are progressing well with the Ramat Beka site. Construction is continuing and initial production is expected towards the end of the year and during 2026. This production site will be state of the art, and will include automated, AI and robotic solutions and platforms, to enable utmost facility efficiency.

I am truly inspired by our employees' dedication and commitment to our company and would like to personally thank each and every one of our employees for contributing immensely to the success of the company, it wouldn't be possible without you.

And with that, we will be happy to answer your questions.

Operator: Thank you. Ladies and gentlemen. At this time, we will begin the Q&A session.

Q&A

The first question is from Jordan Lyonnais of Bank of America. Please go ahead.

Jordan Lyonnais – Bank of America

Good morning. Thanks for taking the question. Going into the back half of the year, how should we think about the margin expansion and what's going to drive it?

Kobi Kagan

Thank you Jordan for the question and good morning. We are making a significant effort to expand our margins as demonstrated in the last three years, where we saw around 3% margin expansion. As we demonstrated in the past, we are committed to continuing to improve the margin, via our new one ERP system for instance and the operational leverage which is an important factor in the margin expansion among others.

Jordan Lyonnais – Bank of America

Could you guys give any updates on Ion Beam?

Butzi Machlis

We are developing and delivering the High Power Laser source for the Iron Beam solution for which Rafael is the integrator of the system. We will be starting to deliver the first unit quite soon, and we expect to deploy the system by the end of this year. In parallel, we are developing, as a prime, an airborne High Power Laser solution, for the Israeli Air Force. We see a lot of interest for this solution from international customers as well.

The next question is from Sheila Kahyaoglu of Jefferies. Please go ahead.

Sheila Kahyaoglu - Jefferies

Good morning, guys, and thank you so much for the time.

If we could start on the top line, you know, year to date growth of 22% is pretty phenomenal, de-risks even the mid-teens growth guidance for the year. How do we think about the deceleration in the second half and outlook for 2026 as you think of capacity utilization and all these new orders coming in?

Kobi Kagan

Hi Sheila. We mentioned previously that we are looking for 2025 revenue growth of mid-teens. As stated, this is our internal target. With regards to 2026 revenue growth, again, our internal targets are for low double digit growth as well. I believe that the announcement this morning will of course support this target. As you know, our policy is not to provide guidance and these are actually our internal targets and what we can provide.

Sheila Kahyaoglu - Jefferies

Thanks Kobi. Maybe any detail you could give on the segments, obviously land with 45% growth in Q2, is pretty spectacular tracking ahead of your soft commentary of the $2.25 billion for the year. How long is that sustainable? And aerospace is also doing quite well. And when we think about the new artillery award, just confirming it'll be in the land segment?

Kobi Kagan

As you mentioned Sheila, all segments actually did very well. We recorded growth across all segments. Land was especially strong and has become the largest segment currently growing 45% year over year adding more than $550 million. We believe that demand for the segment's products continues to be very robust, not only for munition and ammunition but also for solutions such as the PULS rocket launcher, the APS Iron Fist systems, the Sigma - the new wheeled howitzer, which we're starting to supply the IDF with, as well as the rampage missile, which was used during the recent 12 day war with Iran, and for which we are witnessing growing domestic and international demand. We believe that the land segment is going to continue to grow in revenue and expand margins further.

Sheila Kahyaoglu - Jefferies

And one last one, if I may, great job on turning around ESA, how could we think about what's left to do there, whether its restructuring or legacy dilutive contracts?

Kobi Kagan

We have successfully managed to turnaround ESA from the loss recorded in 2023. In the past quarters we've seen margin expansion at ESA as you correctly mention, as the loss making contracts were flushed out. Next quarter, Q3, will be the last quarter of loss making contracts at Sparton. This will allow us to further expand margins at Elbit system America (ESA), this year and next.

Daniella Finn – Question from Chen Keret of Excellence securities

A couple of questions from Chen Keret of Excellence Securities who sent them to me via email, Chen, thanks for your questions. The first question: given the strong demand for UAS and counter drone systems, what are the company's plans for future development in this area? And could you also address the issue of potential export of these solutions to Europe and to the U.S.?

Butzi Machlis

Our counter UAS ReDrone system is a combination of several detection radar technologies, sensors, jamming capabilities as well as energy weapon solutions all on one platform. This product has been delivered and successfully used by the IDF and exported to the Netherlands as well as to other NATO countries. We believe that the ReDrone with its AI capabilities, is one of the most advanced solutions available in the market right now.

Daniella Finn – Question from Chen Keret of Excellence securities

Thank you Butzi. The second question is on CapEx investment. We saw during the quarter a total amount of $72 million spend in CapEx which is lower than the figure in the corresponding quarter last year. What can we expect in terms of the pace of capital investments during the year? And what is the total expenditure expected for 2025?

Kobi Kagan

Thank you Chen. During the first quarter, we received funding from the Israeli Land Authority for vacating the old Land facility. That drove Q1 CapEx investment down. The annual CapEx run rate is around $250 million. We are currently expanding investments using some of the funds received from the offering in May.

Daniella Finn – Question from Chen Keret of Excellence securities

The final question is regarding Israel's geopolitical positioning. On one hand we are witnessing growing demand for defense security solutions, on the other hand, Israel is in a tough, geopolitical predicament. How is the company experiencing these difficulties? Obviously, apart from the big announcement that we saw this morning.

Butzi Machlis

So, as you mentioned, there is a growing demand for defense solutions right now worldwide. Elbit is in a unique position to offer advanced tailor-made solutions. As you saw this morning Elbit was able to work with the customer to provide a state of the art, integrated solution based on our wide portfolio enabling the customer to reach operational capabilities. In this sense Elbit is in a unique position where it partners with its customers. We see significant interest in such solutions from our customers worldwide. We have such discussions with our customers, in Europe and elsewhere, on a daily basis. There is a lot of interest in the success of our products and solutions during the 12-day war with Iran. A significant amount of the work is carried out by our 40 global subsidiaries, including across Europe. Our customers have a local solution provider in their respective countries. The local subsidiaries contribute to

the local economies by producing locally and creating jobs. This is Elbit's unique positioning which is a meaningful advantage.

Additionally, we work with numerous global partners. For example in Germany we worked with Airbus to supply our DIRCM solutions on the A400 aircrafts, we work with Diehl and KNDS to promote the PULS rocket launching systems, not only in Germany but across Europe as a whole. We are in a unique position to offer very advanced solutions based on our wide portfolio, operational experience and local presence, supporting the local economy.

Now, I believe that it is true that in some cases, for example in France, which is not a significant customer of Elbit, there is some resistance to buy from Israeli companies. However, I can tell you that the potential that we are seeing is huge. Actually, we have never had as many opportunities as we have today. I believe that we are in a unique position to continue the growth of the company in the near future.

There are no further questions at this time.

Mr. Machlis, would you like to make a concluding statement?

Butzi Machlis

Thank you. I'd like to thank everyone on the call for joining us today, and for your continued trust and support of Elbit. Have a good day and goodbye.